

Mayor and Each Council Member
City Manager
City of Compton
205 S. Willow Avenue
Compton, CA 90220

As you may recall, on July 24, 2012, the Compton City Council adopted a Resolution authorizing your City Manager to contract with the Los Angeles County Auditor-Controller (LAC-AC) to conduct a forensic audit of the City. We understand that this action was precipitated by the City's prior independent auditor, Mayer Hoffman McCann, CPAs (MHM), withdrawing from its engagement and issuing a disclaimer of opinion. To date, the City does not have audited financial statements for Fiscal Year (FY) 2010-11, which may create issues with the City's creditors. MHM withdrew primarily because the City's Mayor made allegations of waste, fraud, and abuse within the City government, but refused to cooperate with the independent auditor's review of those allegations.

To determine the best way to assist the City of Compton, the LAC-AC: (1) met with the City's Mayor and reviewed his list of allegations of "waste, fraud and abuse"; (2) met with the Compton City Manager, City Treasurer, City Attorney, and City Controller, and discussed the City's current financial conditions; (3) met with the City's prior independent auditor, MHM, to discuss MHM's review and the circumstances of MHM's withdrawal; and (4) conducted a cursory review of the City's unaudited FY 2010-11 financial statements.

Based on our Auditor-Controller's review, we have determined that it is not in the County's or City's best interests for the LAC-AC to conduct a forensic audit at the City of Compton. This letter serves as formal notice of our determination. The main reason we believe that the LAC-AC should not conduct a forensic audit of the City is the forensic audit needs to be completed in coordination with the financial audit, and the City needs to focus on finding and hiring a new auditor to complete these two tasks.

While the LAC-AC will not conduct a forensic audit of Compton, they are prepared to assist the City in searching for a public accounting firm that can later be retained by the City to conduct the forensic audit and complete audit of the City's FYs 2010-11 and 2011-12 financial statements. We, therefore, have instructed the Auditor-Controller to work with the County's master agreement firms and facilitate contacts, as appropriate, to meet your needs.

As discussed earlier, we noted that the City's prior independent auditor withdrew, in part, because the Compton's Mayor made allegations, but refused to cooperate with the auditor's inquiry into those allegations. While we will assist the City in obtaining a new independent auditor, the City and its officials and staff need to understand that, if they do not cooperate with the next independent auditor in reviewing the allegations of waste, fraud and abuse, the new independent auditor may also be forced to withdraw without issuing an opinion, and further imperil the City's financial condition.

In addition to the issues related to the financial and forensic audit, the Auditor-Controller's review indicates that the City appears to have serious financial issues which, if not immediately addressed, may result in potential negative outcomes, up to and including default on the City's obligations, bankruptcy, and disincorporation. To ensure that critical services to Compton's residents are not impacted, the City needs to take immediate action to address its financial issues.

If you have any questions or would like to discuss our offer of assistance, please feel free to contact Wendy L. Watanabe, Los Angeles County Auditor-Controller, at (213) 974-0383.

Sincerely,

ZEV YAROSLAVSKY
Chairman of the Board
Supervisor, Third District

GLORIA MOLINA
Supervisor, First District

MARK RIDLEY-THOMAS
Supervisor, Second District

DON KNABE
Supervisor, Fourth District

MICHAEL D. ANTONOVICH
Supervisor, Fifth District